

# SENATE BILL 779

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CF HB 1238

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By: **Senators Elfreth, Klausmeier, Griffith, and Zucker**

Introduced and read first time: February 5, 2021

Assigned to: Budget and Taxation

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Committee Report: Favorable

Senate action: Adopted

Read second time: February 18, 2021

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Maryland 529 Program – Board Authority and State Contribution – Alterations**

3 FOR the purpose of authorizing the Maryland 529 Board to distribute certain fees in a  
4 certain manner; requiring an account holder of the Maryland Senator Edward J.  
5 Kasemeyer College Investment Plan to be a State resident and file taxes before a  
6 certain date to qualify for a State contribution; requiring a qualified beneficiary to  
7 be under a certain age to receive a State contribution under certain circumstances;  
8 altering the income calculation used to determine eligibility for and the amount of a  
9 State contribution; requiring the Maryland 529 Board to give priority to certain  
10 account holders for a State contribution; prohibiting an account holder from  
11 qualifying for more than a certain amount of State contributions through a certain  
12 time period; altering certain definitions; and generally relating to the Maryland 529  
13 Program.

14 BY repealing and reenacting, without amendments,

15 Article – Education

16 Section 18–1901(a), (d), (e), (i), (j), (l), and (p), 18–19A–01(a) through (c) and (e),  
17 18–19A–02(a)

18 Annotated Code of Maryland

19 (2018 Replacement Volume and 2020 Supplement)

20 BY repealing and reenacting, with amendments,

21 Article – Education

22 Section 18–1901(n), 18–1905(f)(8), 18–19A–01(g) and (h), and 18–19A–04.1

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### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Annotated Code of Maryland  
2 (2018 Replacement Volume and 2020 Supplement)

3 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
4 That the Laws of Maryland read as follows:

5 **Article – Education**

6 18–1901.

7 (a) In this subtitle the following words have the meanings indicated.

8 (d) “Board” means the Maryland 529 Board.

9 (e) “Broker–Dealer Plan” means the Maryland Broker–Dealer College  
10 Investment Plan established under Subtitle 19B of this title.

11 (i) “Maryland ABLE Program” means the Maryland Achieving a Better Life  
12 Experience Program established under Subtitle 19C of this title.

13 (j) “Plan” means the Maryland Senator Edward J. Kasemeyer College  
14 Investment Plan established under Subtitle 19A of this title.

15 (l) “Program” means Maryland 529.

16 (n) “Qualified higher education expenses” has the meaning stated in § [529(e)]  
17 **529** of the Internal Revenue Code.

18 (p) “Trust” means the Maryland Senator Edward J. Kasemeyer Prepaid College  
19 Trust established under this subtitle.

20 18–1905.

21 (f) In addition, the Board may:

22 (8) Subject to the review of the General Assembly, impose [and], collect,  
23 **AND DISTRIBUTE ACROSS MARYLAND 529 PROGRAMS** reasonable administrative fees  
24 for any transactions under the Trust, the Plan, the Broker–Dealer Plan, or the Maryland  
25 ABLE Program or involving prepaid contracts or transactions affecting the Program, the  
26 Trust, the Plan, the Broker–Dealer Plan, or the Maryland ABLE Program;

27 18–19A–01.

28 (a) In this subtitle the following words have the meanings indicated.

29 (b) “Account holder” means the person who established an investment account on  
30 behalf of a qualified designated beneficiary.

1 (c) "Board" means the Maryland 529 Board established under § 18–1904 of this  
2 title.

3 (e) "Investment account" means an account established by an account holder  
4 under this subtitle on behalf of a qualified designated beneficiary for the purpose of  
5 applying distributions toward qualified higher education expenses at eligible educational  
6 institutions.

7 (g) "Qualified designated beneficiary" has the meaning stated in § [529(e)] **529** of  
8 the Internal Revenue Code.

9 (h) "Qualified higher education expenses" has the meaning stated in § [529(e)]  
10 **529** of the Internal Revenue Code.

11 18–19A–02.

12 (a) There is a Maryland Senator Edward J. Kasemeyer College Investment Plan.

13 18–19A–04.1.

14 (a) (1) Subject to paragraph (2) of this subsection, for investment accounts  
15 established after December 31, 2016, a State contribution may be made to not more than  
16 two investment accounts for each qualified beneficiary as provided in this section if:

17 (i) The qualified beneficiary of the investment account [is a] **AND**  
18 **THE ACCOUNT HOLDER ARE** Maryland [resident] **RESIDENTS**;

19 (ii) The account holder submits an application to the Board or its  
20 designee between January 1 and June 1 of each year; [and]

21 (iii) The account holder has Maryland [taxable] **ADJUSTED GROSS**  
22 income in the previous taxable year no greater than \$112,500 for an individual or \$175,000  
23 for a married couple filing a joint return;

24 **(IV) THE ACCOUNT HOLDER FILES INCOME TAXES ON OR**  
25 **BEFORE JULY 15 OF EACH YEAR; AND**

26 **(V) THE QUALIFIED BENEFICIARY IS UNDER THE AGE OF 26**  
27 **YEARS IN THE CALENDAR YEAR BEFORE THE ACCOUNT HOLDER SUBMITS AN**  
28 **APPLICATION.**

29 (2) For State contribution application periods after December 31, 2020, a  
30 qualified beneficiary may not receive more than two State contributions for each year the  
31 qualified beneficiary is eligible for the State contribution under this section.

- 1 (b) (1) An application may be made in person, online, or by mail.
- 2 (2) The Board shall develop:
- 3 (i) An application form that:
- 4 1. Includes permission for confirming Maryland taxable  
5 income with the Comptroller; and
- 6 2. Allows for certification of Maryland residency;
- 7 (ii) A procedure to certify the date and time of receipt of an  
8 application; and
- 9 (iii) Any other necessary procedures for the submittal of applications.
- 10 (c) (1) For an account holder with Maryland **[taxable] ADJUSTED GROSS**  
11 income of less than \$50,000 for an individual or \$75,000 for a married couple filing a joint  
12 return who contributes at least \$25 per beneficiary during the contribution period in  
13 subsection (e) of this section, the State shall provide an additional \$500 per beneficiary.
- 14 (2) For an account holder with Maryland **[taxable] ADJUSTED GROSS**  
15 income of at least \$50,000 but less than \$87,500 for an individual or at least \$75,000 but  
16 less than \$125,000 for a married couple filing a joint return who contributes at least \$100  
17 per beneficiary during the contribution period in subsection (e) of this section, the State  
18 shall provide an additional \$500 per beneficiary.
- 19 (3) For an account holder with Maryland **[taxable] ADJUSTED GROSS**  
20 income of at least \$87,500 but no greater than \$112,500 for an individual or at least  
21 \$125,000 but no greater than \$175,000 for a married couple filing a joint return who  
22 contributes at least \$250 per beneficiary during the contribution period in subsection (e) of  
23 this section, the State shall provide an additional \$250 per beneficiary.
- 24 (d) (1) The Governor shall appropriate in the budget bill at least the following  
25 amounts for State contributions:
- 26 (i) \$5,000,000 in fiscal year 2018; and
- 27 (ii) \$3,000,000 in fiscal year 2019 and each fiscal year thereafter.
- 28 (2) If the funding provided in a fiscal year is not sufficient to fully fund all  
29 State contributions authorized under this section, the Board shall:
- 30 (i) Provide contributions in the order in which applications are  
31 received; and
- 32 (ii) Give priority to applications of account holders who **[did] HAVE**

1 not [receive] **RECEIVED** a contribution [in any prior year].

2 (e) (1) An account holder shall contribute at least the amount specified under  
3 subsection (c) of this section on or before November 1 of each year in order to qualify for the  
4 State contribution.

5 (2) A State contribution shall be made by December 31 of the calendar year  
6 in which the account holder made the contribution.

7 (f) (1) An account holder is not eligible for the subtraction modification under  
8 § 10–208 of the Tax – General Article for any taxable year in which the account holder  
9 receives a State contribution.

10 (2) **AN ACCOUNT HOLDER MAY QUALIFY FOR NOT MORE THAN \$9,000**  
11 **IN STATE CONTRIBUTIONS THROUGH THE LIFETIME OF THE ACCOUNT HOLDER.**

12 (g) (1) The Board shall develop and implement by September 1, 2018, an  
13 outreach and marketing plan to provide notification to individuals about the availability of  
14 a State contribution.

15 (2) The outreach and marketing plan shall:

16 (i) Make use of a variety of marketing media, including billboards,  
17 brochures, and electronic resources; and

18 (ii) Provide a centralized contact point for individuals to obtain  
19 information about opening an account and the availability of a State contribution.

20 (3) By December 1, 2018, the Board shall submit a report in accordance  
21 with § 2–1257 of the State Government Article to the General Assembly on the details of  
22 the outreach and marketing plan.

23 (h) The Board may adopt any regulations that the Board considers necessary to  
24 carry out the provisions of this section.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
26 1, 2021.